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Cases, Regulations, and Statutes

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CASES, REGULATIONS AND STATUTES

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BANKRUPTCY

GENERAL-*ALM* § 13.03.*

ESTATE PROPERTY. The debtor filed for Chapter 7 in September 1999 and was enrolled in several seven year production contracts. In October 1999, Congress passed the Market Loss Assistance Program (MLAP) and the Disaster Assistance Program (DAP) for 1999. Because the debtor was enrolled in the production contracts the debtor was eligible for and received assistance under the MLAP. The debtor also applied for and received payments under the DAP. The applications and payments were all made post-petition. The trustee sought to include the payments in the bankruptcy estate, arguing that the payments were "sufficiently rooted in the prebankruptcy past and so little entangled in the debtor's ability to make a fresh start." The trustee's argument was based on *Segal v. Rochelle, 382 U.S. 375 (1966),* which included in the bankruptcy estate an income tax refund received post-petition for the tax year in which the petition was filed. The court noted that the legislative history of the Bankruptcy Act of 1978 included a statement that *Segal* was followed as to tax refunds but was silent as to other post-petition payments. The court held that the post-petition assistance payments were not included in the bankruptcy estate because, on the date of the petition, the legislation authorizing the payments had not been enacted. ***In re*** **Vote, No. 01-2203 (8th Cir. 2002), *aff'g,* 261 B.R. 439 (Bankr. 8th Cir. 2001)**.

CHAPTER 12-*ALM* § 13.03[8].*

ELIGIBILITY. The debtors had pre-bankruptcy income from farm operations, off-farm employment and the sale of farm land. The farm land was sold to an unrelated party to be developed into a golf course. The debtors continued to hold land which was used as pasture but was available for sale for non-farm development. The debtors argued that the proceeds from the sale of the farm land should be included in farm income for purposes of qualifying for Chapter 12 because the land sale was a good business decision. The debtors pointed to *In re Armstrong, 812 F.2d 1024 (7th Cir. 1987)*, which allowed the proceeds from the sale of farm machinery to be included in farm income. The court distinguished this case from Armstrong in that the debtors here did not make the land sale as part of a plan to save the remaining farm as a business. Instead, the court noted that the debtors seemed to be holding the farm only until a neighboring developer would be willing to buy more land. The court held that the land sale proceeds were not farm income and the debtors were not qualified for Chapter 12. ***In re*** **Ross, 270 B.R. 710 (Bankr. S.D. Ill. 2001)**.

CHAPTER 13-*ALM* § 13.03.*

CONFIRMATION OF PLAN. The debtor filed for Chapter 13 and submitted a plan which provided for payments from income and from the sale of a farm, farm machinery and a bar over the period of the plan. A bank had a first lien in the bar and farm equipment and a second lien on the farm property. The bank objected to the plan because the secured lien interest rate and terms were modified by the plan. However, the bank failed to timely file a claim in the case. The court held that the debtor's plan was not feasible because there was insufficient income to fund the plan; however, the court held that, unless no one objected to the bank's late filed claim, the bank's claim would be disregarded and the amounts needed to pay the secured claim would be applied to general unsecured creditors and produce sufficient funds to make the plan payments. The court allowed the other creditors an opportunity to object to the untimely bank claim. ***In re*** **Michels, 270 B.R. 737 (Bankr. N.D. Iowa 2001)**.

FEDERAL TAX-*ALM* § 13.03[7].*

POST-PETITION INTEREST. The Chapter 7 trustee did not file or pay the bankruptcy estate's income taxes for the four years of the case until the last year. The IRS added penalties and interest to the estate's tax liability. The estate's taxes and penalties were accorded administrative claim priority but the debtor argued that the interest on the taxes was not entitled to administrative claim priority. The IRS argued that the bankruptcy statute was not clear and that Section 503(b)(1) should be interpreted to include the interest as part of the taxes owed. The court held that Section 503(b)(1)(B) was clear and provided administrative claim priority only to taxes and penalties; therefore, the interest on the taxes was entitled only to a fifth priority as provided by Section 726(a)(5). ***In re*** **Weinstein, 272 F.3d 39 (1st Cir. 2001), *aff'g,* 251 B.R. 174 (Bankr. 1st Cir. 2000)**, ***aff'g***, **237 B.R. 4 (Bankr. D. Mass. 1999)**.

FEDERAL AGRICULTURAL PROGRAMS

CHRONIC WASTING DISEASE. The APHIS has issued interim regulations under the animal health regulations to provide for the payment of indemnity by the USDA for the voluntary depopulation of captive cervid herds known to be infected with chronic wasting disease. **67 Fed. Reg. 5925 (Feb. 8, 2002)**.

LIVESTOCK INDEMNITY PROGRAM. The CCC has adopted as final regulations implementing the livestock indemnity program for 2000 for losses due to disasters or wild fires in areas covered by a qualifying disaster declaration issued by the President or Secretary of Agriculture. For 2000, losses due to anthrax are also included. **67 Fed. Reg. 7265 (Feb. 19, 2002)**.

MILK. The CCC has announced that the regulations governing the Dairy Recourse Loan Program have been removed from the Code of Federal Regulations because the program's authorizing legislation was repealed by Section 772 of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002, Pub. L. 107-76. **67 Fed. Reg. 7056 (Feb. 15, 2002)**.

PERISHABLE AGRICULTURAL COMMODITIES ACT. The plaintiff had its PACA license suspended for failing to provide documents and the plaintiff sought a stay of the suspension pending judicial review. The USDA argued that the court did not have jurisdiction to hear the case because (1) the petition for appeal was faxed to the USDA by the court and not mailed, as required by 28 U.S.C. § 2344 and (2) no final administrative decision had been made. The court found that the petition was mailed and faxed by the clerk of the court because the anthrax incident had caused significant delays in mail sent to governmental agencies. The court noted that it was frivolous for the USDA to complain about the use of a faster, more secure method of sending the petition. The court also found that the USDA suspension order was a final decision because the order had a lasting and continuous effect with no other recourse to the plaintiff but a judicial review. The USDA also argued that a stay was not necessary because the plaintiff was no longer in business, based on the testimony of a USDA auditor who visited the business. The plaintiff charged the auditor with perjury because the plaintiff had moved its business premises and the auditor and other USDA agents had visited the plaintiff's new location several times before the auditor claimed to have visited the closed business. The court held that there was sufficient evidence to demonstrate that the plaintiff was still in business and would be harmed by the license suspension. The court granted the stay pending review of the suspension order because the plaintiff had a good chance of success in overturning the suspension order since (1) the USDA did not provide any notice or hearing by an uninvolved party, such as an administrative judge, on the matter before suspending the license, and (2) the suspension was perpetual instead of the for 90 days as required by statute. **Fine Foods, Inc. v. U.S.D.A., 274 F.3d 1137 (7th Cir. 2001)**.

TUBERCULOSIS. The APHIS has issued interim regulations amending the regulations regarding the payment of indemnity for animals destroyed because of bovine tuberculosis to provide that the APHIS will pay owners of the animals an indemnity equal to the difference between the net salvage received and the appraised value of the animals destroyed, up to $3,000 per animal. **67 Fed. Reg. 7583 (Feb. 20, 2002)**.

FEDERAL ESTATE AND GIFT TAX

VALUATION OF STOCK. The decedent's estate included stock in a closely-held corporation. The stock was preferred stock subject to a redemption agreement at over $1,000 per share plus interest if the redemption occurred after specified dates. The estate valued the stock at book value, $10 per share, but the stock was redeemed under the redemption agreement a year after the decedent's death at $1,000 plus interest. The Tax Court held that the redemption was relevant to the value of the stock at the decedent's date of death because the redemption was foreseeable and the corporation had sufficient funds to make the redemption on the date of the decedent's death. The Tax Court, however, allowed a 4 percent discount to the value of the stock as a "reasonable discount" for a potential purchaser. The appellate court remanded the case on this issue for the Tax Court to provide an explanation for the choice of a 4 percent valuation discount. **Estate of Trompeter v. Comm'r, 2002-1 U.S. Tax Cas. (CCH) ¶ 60,428 (9th Cir. 2002), *rev'g and rem'g*, T.C. Memo. 1998-35**.

FEDERAL INCOME TAXATION

BUSINESS EXPENSES. The IRS has announced its acquiescence in the following case. The taxpayer was a corporation which owned a jet. The corporation allowed its corporate officers to use the jet for personal purposes. The officers included the value of the use of the jet in their gross income and the taxpayer claimed the expenses for maintaining and using the jet as business deductions. The IRS argued that, under I.R.C. § 274(a)(1), the business deductions were not allowed because the aircraft was a facility used for entertainment. Thus, the taxpayer would be allowed a deduction only for the amounts determined to be deductible as compensation to the officers. The taxpayer argued that I.R.C. § 274(e)(2) provided an exception to section 274(a)(1) because the officers included the value of the flights as compensation. The court agreed with the taxpayer and allowed the deductions for the maintenance and use of the jet. **Sutherland Lumber-Southwest, Inc. v. Comm'r, 2001-2 U.S. Tax Cas. (CCH) ¶ 50,503 (8th Cir. 2001), *acq.*, AOD/CC-2002-02**.

The taxpayer owned a multiple unit residential rental property and claimed deductions related to the operation of the property, The court allowed the deductions to the extent the taxpayer provided written and other evidence to substantiate the expenses and disallowed all deduction for unsubstantiated expenses. **Shelton v. Comm'r, T.C. Summary Op. 2002-9.**

CAPITAL EXPENSES. The IRS has issued guidance that impact fees incurred by real property developers in connection with the construction of a new residential rental building are indirect costs that, pursuant to I.R.C. §§ 263(a), 263A, should be capitalized and added to the basis of buildings constructed. Accordingly, developers and operators of low-income housing may include such fees in the computation of the low-income housing credit. **Rev. Rul. 2002-9, I.R.B. 2002-10**.

CORPORATIONS-ALM § 4.02[14].*

GOLDEN PARACHUTE PAYMENTS. The IRS has issued proposed regulations relating to golden parachute payments under I.R.C. § 280G, effective for payments that are contingent on a change in ownership or control occurring on or after January 1, 2004. Taxpayers may rely on regulations proposed

***Agricultural Law Manual* (ALM).**

on May 5, 1989, for any payment contingent on a change in ownership or control that occurs prior to January 1, 2004. **Rev. Proc. 2002-13, I.R.B. 2002-__**.

SHAM CORPORATIONS. The taxpayer was an accountant who had established 13 corporations through which the taxpayer funneled much of the taxpayer's income which was not reported on the taxpayer's income tax returns. The court held that the corporations were shams and would be disregarded for income tax purposes because (1) the taxpayer used false EINs when forming the corporations; (2) the 13 corporations did not follow any corporate formalities such as maintaining books and records, issuing stock, holding annual meetings, electing officers, or issuing financial statements; (3) the corporations did not have employees, paid no salaries or dividends, did not conduct any legitimate business, and did not file tax returns; (4) the taxpayer did not treat the 13 corporations as separate business entities; and (5) the taxpayer often lent money from one corporate account and deposited repayments for that loan in other corporate accounts. **Wapnick v. Comm'r, T.C. Memo. 2002-45**.

COURT AWARDS AND SETTLEMENTS-ALM § 4.02[14]. The taxpayer had filed a sexual harassment suit against an employer and received a judgment for back pay, front pay, pension benefits, attorneys' fees and court costs. Under the taxpayer's legal fee arrangement with the taxpayer's lawyers, about one-half of the award was paid to the taxpayer's attorneys. The court held that all of the judgment was included in the taxpayer's income because none of the award was for personal injuries. The taxpayer could not exclude the attorneys' fees from income, because the attorneys did not have a property interest in the fee portion of the award. The taxpayer, however, could claim the fees as a miscellaneous deduction. **Hukkanen-Campbell v. Comm'r, 274 F.3d 1312 (10th Cir. 2001), *aff'g*, T.C. Memo. 2000-180**.

DISASTER PAYMENTS. On February 6, 2002, the President determined that certain areas in Kansas were eligible for assistance under the Disaster Relief and Emergency Assistance Act, 42 U.S.C. § 5121, as a result of a severe ice storm on January 29, 2002. **FEMA-1402-DR**. On February 6, 2002, the President determined that certain areas in Missouri were eligible for assistance under the Act as a result of severe ice storms on January 29, 2002. **FEMA-1403-DR**. On January 24, 2002, the President determined that certain areas in Arkansas were eligible for assistance under the Act as a result of severe storms and flooding on December 15, 2001. **FEMA-1400-DR**. On February 1, 2002, the President determined that certain areas in Oklahoma were eligible for assistance under the Act as a result of severe ice storms on January 30, 2002. **FEMA-1401-DR**. Accordingly, a taxpayer who sustained a loss attributable to the disasters may deduct the loss on his or her 2001 federal income tax return.

EMPLOYEE BENEFITS. The IRS has announced that, consistent with prior practice, the IRS will not assert that any taxpayer has understated a federal tax liability by reason of the receipt or personal use of frequent flyer miles or other in-kind promotional benefits attributable to the taxpayer's business or official travel. However, the IRS also stated that any future guidance on the taxability of these benefits will be applied prospectively. The IRS also stated that this relief did not apply to travel or other promotional benefits that are converted to cash, to compensation that is paid in the form of travel or other promotional benefits, or in other circumstances where these benefits are used for tax avoidance purposes. **Ann. 2002-18, I.R.B. 2002-__**.

INVOLUNTARY CONVERSION. The taxpayer was a wood products manufacturer which owned timber forests. Some of the timber was damaged by storms, fires and insects. The plaintiff salvaged the damaged trees by removing them and processing them into wood products. The plaintiff sought to defer, under I.R.C. § 1033, only that portion of the gain attributable to the difference between its basis and the fair market value of the damaged trees as of the time its salvage of them began; that is, the value the taxpayer contended would have been recognized if it had sold the damaged trees on the open market instead of further processing and/or milling the damaged trees into finished products. The IRS argued that no involuntary conversion occurred because the trees were processed the same as undamaged trees. The court held that the taxpayer was eligible for the Section 1033 deferral because the taxpayer was forced to harvest, salvage and process the trees before the normal time. The court stated that the taxpayer's situation was indistinguishable from the circumstances set forth in *Rev. Rul. 80-175, 1980-2 C.B. 230*, where the taxpayer's trees were felled by a hurricane. The court held that the fact that the damage was sufficiently partial so as to result in a substantial amount of deferral was not a reason, under the statute, to deny relief. **Willamette Industries, Inc. v. Comm'r, 118 T.C. No. 7 (2002)**.

LEGAL FEES. The taxpayer corporation claimed a deduction for legal fees paid for the criminal defense of the corporation's sole shareholder who was charged with conspiracy to evade the taxes owed by another taxpayer. The court held that the legal fees were not deductible because the legal fees were not paid for the protection of the corporation or paid for matters relating to the business of the corporation. **Capital Video Corp. v. Comm'r, T.C. Memo. 2002-40**.

RETURNS. The IRS has announced that errors related to a new line on the basic income tax forms may delay refunds by a week or more for taxpayers filing incorrect returns. A credit is claimed on line 47 of Form 1040, line 30 of Form 1040A and line 7 of Form 1040EZ. The credit is for taxpayers who *did not* get the maximum benefit from the 2001 advance payments, and whose 2001 income or tax amounts qualify them for an additional amount. Taxpayers who received the limit for their filing status should leave this credit line blank. The maximum amounts are: $300 for a single person or a married person filing separately; $500 for a head of household; and $600 for a married couple filing jointly or a qualifying widow or widower. The main errors taxpayers make on the rate reduction credit line are: entering the advance payment amount, when the line should be blank because the taxpayer has already received the maximum benefit; entering a credit amount, when the line should be blank because the taxpayer is a dependent; leaving the line blank, when the taxpayer actually qualifies for the credit; or figuring the credit amount incorrectly. The IRS is advising taxpayers that, if an error related to this credit has been made, the taxpayer should not file an amended return until after the IRS processes the original return. The IRS is rejecting e-filed returns that show the advance payment amount on this line or that show a dependent claiming the credit, so that the taxpayer or return preparer may quickly fix the problem and transmit a corrected return. **IR-2002-19.**

SAFE HARBOR INTEREST RATES
March 2002

	Annual	Semi-annual	Quarterly	Monthly
		Short-term		
AFR	2.69	2.67	2.66	2.66
110 percent AFR	2.96	2.94	2.93	2.92
120 percent AFR	3.23	3.20	3.19	3.18
		Mid-term		
AFR	4.52	4.47	4.45	4.43
110 percent AFR	4.98	4.92	4.89	4.87
120 percent AFR	5.43	5.36	5.32	5.30
		Long-term		
AFR	5.48	5.41	5.37	5.35
110 percent AFR	6.04	5.95	5.91	5.88
120 percent AFR	6.60	6.49	6.44	6.40

Rev. Rul. 2002-10, I.R.B. 2002-__.

SELF-EMPLOYMENT INCOME. The taxpayers, husband and wife, retired from farming in 1988 and entered into a rental agreement with their sons to farm the property with the taxpayers and sons sharing profits and expenses equally. The taxpayers became members of a local agricultural cooperative by purchasing common stock in the cooperative and entering into production and marketing agreements with the cooperative. The agreements required the taxpayers to either deliver a certain amount of corn each year or to purchase corn from the cooperative pool of excess corn as a substitute. In return for petitioners' meeting their production and delivery obligations, the cooperative was obligated under the agreement to pay the taxpayers: (1) at least 80 percent of the loan value per bushel of corn delivered by each petitioner; (2) a storage fee and interest in some cases; (3) an additional payment ("value-added payment") for value added to the corn as a result of its processing and as further compensation for corn delivered by the taxpayers, if the cooperative determined that such a payment was warranted after calculating the net proceeds from all of its operations for the processing year and if the cooperative's lenders approved; and (4) payments from the cooperative's earnings as patronage dividends in accordance with the cooperative's bylaws. The taxpayers reported the value-added payments as capital gain income, which was not included in self-employment income. The IRS argued that the value-added payments were income from a trade or business and were liable for self-employment taxes. The taxpayers argued that the value-added payments were either investment income attributed to their common stock ownership or dividends from the stock, neither of which were self-employment income. Initially, the parties agreed that the rental of the farm to the sons was not a trade or business and the income from the farm was not self-employment income. The IRS argued that the taxpayers' involvement with the cooperative was sufficient to qualify as a trade or business in that the cooperative's actions as agents for the taxpayers could be attributed to the taxpayers. The court held that the cooperative did not function as the taxpayers' agent and that the taxpayers, although retired from active farming, continued to be active in dealing in corn through the cooperative. The court also noted that the cooperative form of business did not create an agency relationship with the members. The court held that the value-added payments resulted from the business of the taxpayers of acquiring and selling corn. The court also held that the exclusions of I.R.C. § 1402(a)(2) (dividends) or 1402(a)(3) (capital assets) did not apply to exclude the income from self-employment tax. **Bot v. Comm'r, 118 T.C. No. 8 (2002)**.

TAX SHELTERS. The taxpayer, an orthopedic surgeon, invested in a partnership which developed and operated jojoba farms. The taxpayer claimed tax losses more than double the initial investment in the first tax year and additional losses in following years. The losses were disallowed because the partnership was held to be a sham tax shelter. The issues in this case were whether the taxpayer was liable for the negligence component of the accuracy-related penalty and whether the IRS should have waived the understatement of tax component of the accuracy-related penalty. The court ruled that it was unreasonable for the taxpayer to not have sought expert tax advice before claiming substantial and accelerated tax losses more than double the initial investment. The taxpayer also failed to provide any substantial authority for their claim of losses. **Welch v. Comm'r, T.C. Memo. 2002-39**.

TRAVEL EXPENSES. The taxpayer claimed travel expenses for travel between the taxpayer's parents' home in Wisconsin and Chicago where the taxpayer performed with a band or traveled to other cities to perform with that band. The court held that the taxpayer's city of residence was Chicago because the taxpayer spent more time there and lived in Wisconsin only part time to save money. The taxpayer was allowed travel expense deductions for costs incurred while traveling with the band outside of Chicago. **Bjornstad v. Comm'r, T.C. Memo. 2002-47**.

PRODUCTS LIABILITY

DAIRY COW. The plaintiff purchased 115 diary cows from the defendant. Under Wash. Stat. § 16-86-015, the cows were required to be tested for brucellosis within 30 days of transfer. The cows were tested before delivery and one cow tested "suspect" for brucellosis twice and was slaughtered. The carcass, however, was tested as free of infection. The remaining cows were delivered more than 30 days later and were re-tested as required by the statute. Again, one cow tested as a reactor and was slaughtered, with the carcass testing as free of infection. The herd was quarantined for four months until the carcass was tested as infection free. The plaintiff sued the defendant for negligence, breach of the implied warranty of fitness for a particular purpose, strict liability and violation of the Consumer Protection Act. The defendant sought to dismiss the claims in tort as barred by the economic loss rule which allows only contract actions involving losses resulting from commercial agreements or contracts. The court held that claims in tort were prohibited if the losses arose out of transactions bargained for by commercial parties. The court held that the negligence and strict liability claims were properly dismissed by the trial court because the brucellosis testing was part of the commercial transaction and the damages, if any, were caused by the testing of the cows and not the cows themselves. **Hofstee v. Dow, 36 P.3d 1073 (Wash. Ct. App. 2001)**.

SECURED TRANSACTIONS

PRIORITY. The debtor granted the plaintiff credit union a security interest in all cattle owned by the debtor, including after-acquired cattle. The cattle were pastured on land owned by one of the defendants. The debtor and the landowner agreed to allow the debtor to pasture the cattle free in exchange for the debtor's caring for the landowner's cattle on the same land. The debtor defaulted on the credit union loan and the cattle were sold, with the proceeds placed with the court until the priority of the interests of the various parties was determined. The landowner claimed an agister's lien for the value of the use of the pasture land. The court found that the landowner lived 300 miles from the pasture and did not ever take possession or control of the cattle nor did the landowner enter into any contract with the debtor for the care of the debtor's cattle. The court held that the landowner did not have an agister's lien or any other interest in the cattle. Another defendant had entered into a sales contract with the debtor to sell cattle to the debtor. The contract provided for installment payments to be made from the sales of the cattle. The defendant claimed that the transaction was a lease because the defendant retained the brand on the cattle. The court found that the parties had characterized the transaction as a sale and that the cattle carried brands of third parties; therefore, the transaction was a sale and the defendant had only an unperfected security interest in the cattle sold to the debtor. The defendant also argued that the defendant should recover at least the unpaid portion of the contract under equitable principles because the credit union would unjustly benefit from its security interest in the after-acquired cattle. The court acknowledged that equitable doctrines have been used to overcome the priority of security interest in the UCC, but held that the defendant had not demonstrated any sufficient equitable doctrine to overcome the credit union's perfect security interest in after-acquired property. **Daniels-Sheridan v. Bellanger, 36 P.3d 397 (Mont. 2001)**.

TRESPASS

TIMBER. The defendant was hired to cut timber on land neighboring the plaintiff's land. One of the defendant's employees incorrectly determined the boundaries of the neighbor's land and included all of the plaintiff's timber in the timber to be cut. Although the defendant admitted cutting the wrong trees, the parties did not agree as to the value of the timber cut. After a jury trial, the jury determined that the defendant willfully and intentionally cut the trees with the intent to deprive the plaintiff of the plaintiff's property and determined the value of the trees cut. Because of this finding by the jury, the court trebled the damages as provided by state law. The defendant argued that the opinion of an expert witness as to the intent of the boundary marker employee was improperly ruled inadmissable. The court held that the jury had sufficient evidence to make that determination without the expert's testimony. The court noted that the employee testified that the boundary was marked without any use of a survey or measuring devices, either of which would have shown that the boundary was too large. The defendant also argued that the damage award was excessive because it exceeded the difference in the fair market value of the land before and after the cutting. The defendant noted that the damage award, before trebling, exceeded what the plaintiff paid for the land just two years before the cutting. The court upheld the damage award because the award was based on the appraisals provided by several experts and because the defendant failed to show how the fair market value of the land affected the value of the trees. **Auger Timber Co. v. Jiles, 56 S.W.3d 386 (Ark. Ct. App. 2001)**.

IN THE NEWS

LIKE-KIND EXCHANGES. CCH reported on a seminar held February 20 in Washington, D.C. titled "Current Issues Under Section 1031: Tenants in Common and Undivided Fractional Interests." At the seminar, Deborah Harrington, attorney-advisor in the Treasury Department's Office of Tax Legislative Counsel said that the IRS will be providing guidance as to when a co-tenancy is not a partnership for purposes of the like-kind exchange rules. The IRS plans to allow taxpayers to request rulings as to whether a co-ownership interest is a partnership or not. **CCH NEWS-FEDERAL, 2002TAXDAY, 02/22/2002, Item #I.3**.

NUISANCE. Lawyers Weekly has reported that a judge in Sioux County, Iowa District Court has awarded $100,000 for loss of value in a homestead after a corporate hog farm was built nearby. The plaintiffs had alleged that the company's 4,000-head hog farm near their home was a nuisance that attracted bugs and harmed their emotional and physical health. They had sought punitive and compensatory damages, as well as an injunction that could halt their farm's operations. The judge denied the injunction "since the award here made will adequately compensate the plaintiffs." The judge had previously ruled that the Iowa right-to-farm law was unconstitutional because large farms could interfere with the use of a neighboring property and right to seek compensation. **2002 LWUSA 150 (Feb. 18, 2002)**.